



HM Revenue
& Customs

Part surrenders and part assignments of life insurance policies

Consultation document

Publication date: 20 April 2016

Closing date for comments: 13 July 2016

Subject of this consultation:	The tax rules for part surrenders and part assignments of life insurance policies, capital redemption policies and life annuity contracts (hereafter referred to as life insurance policies).
Scope of this consultation:	At the March 2016 Budget, the government announced its intention to change the tax rules for part surrenders and part assignments of life insurance policies following consultation. This consultation invites views on three options for change.
Who should read this:	The life insurance industry, policy administrators for the industry, financial advisors and individual policyholders who will all be affected by the proposed changes.
Duration:	From 20 April 2016 to 13 July 2016.
Lead official:	The lead official is Darryl Wall of HM Revenue and Customs (HMRC).
How to respond or enquire about this consultation:	Responses should be sent by email to darryl.wall@hmrc.gsi.gov.uk or by post to Darryl Wall HM Revenue and Customs Financial Services Team Room 3c/06 100 Parliament Street London SW1A 2BQ
Additional ways to be involved:	HMRC welcomes discussions with interested parties especially policyholders and their representatives, members and representatives of the life insurance industry and their policy administrators for whom the changes may have a material impact.
After the consultation:	Options will be reviewed in the light of representations received. The government expects to publish its response within 12 weeks of the end of the consultation and to include legislation for the preferred option in Finance Bill 2017.
Getting to this stage and previous engagement	The consultation arises from the announcement made at Budget 2016 that the tax rules for part surrenders and part assignments of life insurance policies will change following consultation. Prior to this HMRC has informally consulted with the life insurance industry, industry and policyholder representative bodies and the tax profession on workable options for change.

Contents

1	Introduction	4
2	Options for Change	6
3	Taxing the Economic Gain	8
4	A 100% Allowance	14
5	Deferral of Excessive Gains	18
6	Summary of Consultation Questions	22
7	Assessment of Impacts	24
8	The Consultation Process	26

On request this document can be produced in Welsh and alternate formats including large print, audio and Braille formats

1. Introduction

The taxation of life insurance policies

- 1.1. Gains on life insurance policies (other than those held by companies) are chargeable to income tax. For events that bring a policy to an end (e.g. maturity or full surrender of the policy) the taxable gain (hereafter referred to as “the gain”) is the difference between the cash value received from the policy less the total premiums paid.
- 1.2. Value can also be taken from a policy without bringing that policy to an end. These are called “excess events” and they arise when cash is withdrawn from an on-going policy (a part surrender) or part of a policy is sold (a part assignment).
- 1.3. Current rules allow policyholders to make part surrenders or part assignments of up to an annual cumulative 5% allowance of the premium paid without incurring a tax charge. In these circumstances, any gain is instead accounted for when the policy matures. If the total value received from the policy exceeds the allowance, a gain is brought into charge at the next policy anniversary date (“the end of the insurance year”). For a part surrender, the value received is usually the cash withdrawn from the policy, while for part assignments, it is the surrender value of the part sold at the date of the sale. Gains arising from excess events are deductible from any gain that arises when the policy comes to an end.
- 1.4. To give an example, if a policyholder invests £100,000 in a policy he or she could make annual part surrenders of £5,000 in each of the first 20 years of the policy without incurring a gain chargeable to income tax. Whilst there are no gains at the point of withdrawal, the cash withdrawn is included as a receipt in the final gain calculation when the policy ends. For this reason, this feature of life insurance policy taxation is often referred to as the 5% tax deferred allowance. If, in the example above, the policyholder decided to withdraw £6,000 in any of the first twenty years of the policy instead of £5,000, a £1,000 gain would arise at the end of that insurance year. This £1,000 gain would be deductible from any later gain arising when the policy ends.

- 1.5. This feature of life insurance policies has proved very popular with policyholders who can easily calculate what withdrawals they can take from a policy each year without incurring a gain. It also ensures tax parity with a policy where no withdrawals are made prior to maturity.
- 1.6. However, in certain circumstances the current rules can result in gains arising which are disproportionate to the policy's underlying economic gain. In particular this can arise if a policyholder makes a large part surrender (or part assignment) early in the life of the policy. For example, if a policyholder invests £100,000 in a policy he or she could take £5,000 from the policy in the first policy year without incurring a gain. If however the policyholder took £80,000 a gain of £75,000 would arise (i.e. the £80,000 cash withdrawal less the 5% tax deferred allowance of £5,000). This gain is likely to be far larger than the underlying economic gain on the policy; indeed it would arise even if the policy was not in profit.
- 1.7. At Budget 2016 the government announced its intention to change the tax rules for excess events to ensure that such disproportionate gains cannot arise in future.

2. Options for Change

2.1. The government announced at Budget 2016 that it would change the tax rules so that disproportionate gains cannot arise from the part surrender or part assignment of a life insurance policy.

2.2. Following initial dialogue with policyholder representatives, industry, their representative bodies and the tax profession, the government has identified the following desirable outcomes from any options for change.

- The prevention of disproportionate gains arising from any part surrender or part assignment of a life insurance policy – for both new and existing policies.
- The maintenance of a tax deferred allowance, which is popular and widely understood by policyholders.
- Changes that are simple to administer and understand.
- As few systems changes as possible for insurers.
- An appropriate period of time for insurers to implement the change and explain it to policyholders.
- A straightforward as possible transition from the current rules to the new rules.
- Avoidance of wholesale changes to the tax rules for life insurance policies.
- New tax avoidance opportunities are not created

2.3. The following three chapters set out three possible options for change:

- Taxing the Economic Gain
- The 100% Allowance
- Deferral of Excessive Gains

2.4. All of these options are designed to ensure disproportionate gains could no longer arise, and also maintain a tax deferred allowance. The government recognises that there are likely to be differing trade-offs in respect of the other desirable outcomes for each option.

2.5. The options are set out in detail, with one or more examples, in the following three chapters. Chapter 7 then considers potential impacts on policyholders and their insurers. The general questions about the options and the assessment of impacts are set out below.

Question 1 - Of the suggested options for change, what is your preferred option? Please explain why?

Question 2 - Do you have any comments on the assessment of impacts, either generally or in relation to the specific options set out?

Question 3 – Are there options beyond the three presented in this document that would better meet the desirable outcomes including ensuring that disproportionate gains could no longer arise?

Question 4 – For each option, do the insurers' current reporting rules require amendment in any way?

Question 5 - What costs would insurers have to incur, for each option in:

- **Changes to their current IT systems to allow gains to be calculated and reported on each basis,**
- **Advice to policyholders on the change to the tax rules, and**
- **On-going costs in support of the changes.**

Question 6 - What possible effects would each option have on the market for life insurance products?

Question 7 - What possible extra burdens would each option place on policyholders, and how might each option affect policyholder behaviour?

Question 8 – What possible tax avoidance risks does each option present, and how can these be countered?

3. Taxing the Economic Gain

Description

3.1. This option would retain the current 5% tax deferred allowance but would bring into charge a proportionate fraction of any underlying economic gain whenever an amount in excess of 5% was withdrawn.

3.2. One possible method of calculating the gain in such circumstances would be to deduct a proportionate part of the premium from the amount withdrawn. This deductible amount would be calculated by applying formula $A/(A+B)$ to the available premium paid where,

A = the amount withdrawn, and

B = the policy value immediately after the withdrawal.

The available premium would be the policy premiums paid less the sum of,

- Earlier withdrawals, to date, which did not exceed the 5% tax deferred allowance, and,
- Any premiums deducted in earlier $A/(A+B)$ calculations.

3.3. The formula would only be applied where withdrawals in excess of the cumulative 5% tax deferred allowance are taken. Withdrawals below this level would simply be deductible, in full, from the available premium.

3.4. The premium used in any gain calculation cannot reduce the gain below nil.

3.5. Although this would require a calculation for each withdrawal, any gains arising in the insurance year would be aggregated and treated as arising at the end of that insurance year. The overall total of the gains could then be reported on one chargeable event certificate to be delivered to the policyholder (and if total gains in the year exceed half the basic rate limit, to HMRC) by the insurer within three months from the end of that insurance year.

3.6. A gain arising under this option would always be an appropriate fraction of the policy's economic gain. Unlike the current rules, if the policy was not in profit, no gain could arise from an excess event.

3.7. Two examples follow – one for a part surrender and one for a part assignment
– to illustrate how this option might work.

Example: Part Surrender

(i) Policy History

A policyholder invests £100,000 in a life insurance policy on 1 January 2018. She withdraws £4,000 on 7 August 2018, a further £4,000 on 10 December 2018, £30,000 on 1 February 2020 and fully surrenders the policy for £68,000 on 1 May 2024. Gains arise as follows,

(ii) Insurance Year One (1 January 2018 to 31 December 2018)

The £4,000 withdrawal on 7 August 2018 is below the 5% tax deferred allowance of £5,000. No gain calculation is required but the available premium for subsequent calculations is reduced from £100,000 to £96,000.

Following the £4,000 withdrawal on 10 December 2018 the 5% tax deferred allowance for the year is breached and a gain calculation is required. If the policy value immediately after the withdrawal is £94,000, the gain calculation is,

Withdrawal from the policy	=	£4,000
Less: deductible premium		
Available premium x A/ (A+B)		
£96,000 x £4,000/ (£4,000+£94,000)	=	(£3,918)
Gain arising on 31 December 2018	=	£82

As premiums of £3,918 have been used in this calculation the available premium for subsequent gain calculations is reduced to £92,082 (i.e. £96,000 less £3,918).

(iii) **Insurance Year Three (1 January 2020 to 31 December 2020)**

The £30,000 withdrawal on 1 February 2020 exceeds the accumulated 5% tax deferred allowance of £10,000 (i.e. £15,000 less £5,000 used in the first insurance year). A gain calculation is therefore required. If the policy value immediately after the withdrawal is £80,000 the gain calculation is,

Withdrawal from the policy = £30,000

Less: deductible premium

Available premium x A/ (A+B)

£92,082 x £30,000/ (£30,000+£80,000) = (£25,113)

Gain arising on 31 December 2020 = £4,887

The available premium is reduced by £25,113 to £66,969.

(iv) **Insurance Year Seven (1 January 2024 to 1 May 2024)**

The policy is fully surrendered on 1 May 2024 for £68,000. The current tax rules for events that bring a policy to an end still apply and the gain is,

Total cash received (£68,000 plus earlier withdrawals of £38,000) = £106,000

Less:

Premium paid = (£100,000)

Difference = £6,000

Deductible gains on earlier excess events (£82 and £4,887) = (£4,969)

Gain arising on 1 May 2024 = £1,031

(v) **Summary**

The gains arising from the policy on earlier excess events (£82 and £4,887) and on surrender (£1,031) equal the £6,000 economic gain from the policy.

Example: Part assignment

(i) Policy History

On 1 January 2018 four individuals jointly invest £25,000 each in a life insurance policy. On 11 May 2018 the policy has a surrender value of £104,000. One of the individuals (the “assignor”) sells their 25% share of the policy for £26,000 to another individual.

(ii) Insurance Year One (1 January 2018 to 31 December 2018)

On 11 May 2018 one of the four policyholders has made a part assignment for money. The assignor’s share of the surrender value exceeds 5% of the premium paid and so a gain calculation is required.

For part assignments for money or money’s worth the same $A / (A+B)$ formula is used to calculate the deductible premium but,

A = the surrender value of the part sold, and

B = the surrender value of the remainder.

In this case:

A = £26,000 (i.e. 25% of the policy’s surrender value of £104,000)

B = £78,000 (i.e. 75% of the policy’s surrender value of £104,000)

The gain calculation is,

Value of 25% share of policy = £26,000

Less: deductible premium

Available premium x $A / (A+B)$

£100,000 x £26,000 / (£26,000+£78,000) = (£25,000)

Gain arising to the assignor on 1 December 2018 = £1,000

For future excess events the available premium will be £75,000 (i.e. the £100,000 premium less £25,000 used in this calculation).

Questions

Question 9 - Are there any circumstances in which the $A / (A+B)$ formula would not give rise to an appropriate proportion of the policy's economic gain?

Question 10 - Is there a fairer method of calculating the part of the premium that would be deductible from the amount withdrawn when calculating the gain?

Question 11 - Policyholders would need to request a policy value in order to know what gain any part surrender or part assignment will give rise to. Are there any difficulties for policyholders and insurers in accessing this information?

4. The 100% Allowance

Description

4.1 Under this option no gain would arise until all of the premiums paid have been withdrawn. It would change the current cumulative annual 5% tax deferred allowance to a lifetime 100% tax deferred allowance and ensure that only economic gains are taxed.

4.2 Once all premiums paid have been withdrawn from a policy any subsequent withdrawals would be taxed in full. Gains would arise at the end of the insurance year and the insurer would be required to report the gain, on a chargeable event certificate, to the policyholder (and if necessary HMRC) within three months from the end of that insurance year.

4.3 Two examples follow – one for a part surrender and one for a part assignment – to illustrate how this option might work.

Example: Part Surrender

(i) Policy History

A policyholder invests £100,000 in a life insurance policy on 1 January 2018. He withdraws, by way of a part surrender, £4,000 on 1 August 2018, £40,000 on 1 December 2018, £60,000 on 1 February 2020 and fully surrenders the policy for £3,000 on 1 May 2024.

(ii) Insurance Year One (1 January 2018 to 31 December 2018)

The £44,000 part surrenders in the year are less than the premium paid. No gain calculation is required.

(iii) Insurance Year Three (1 January 2020 to 31 December 2020)

Following the £60,000 part surrender on 1 February 2020 total part surrenders now total £104,000. This exceeds the premiums paid.

The gain is the excess of total part surrenders (£104,000) over premiums paid (£100,000) i.e. £4,000. This gain arises on 31 December 2020.

(iv) Insurance Year Seven (1 January 2024 to 1 May 2024)

The policy is fully surrendered on 1 May 2024 for £3,000. The current tax rules for events that bring a policy to an end still apply and the gain is,

Total cash received (£3,000 plus earlier withdrawals of £104,000)	=	£107,000
Premium paid	=	£100,000
Earlier excess event gains	=	£4,000
Gain arising on 1 May 2024	=	£3,000

(v) Summary

The total gains arising in years three and seven total £7,000. This equals the economic gain from the policy.

Example: Part assignment

(i) Policy History

A policyholder invests £100,000 in a life insurance policy on 1 January 2018. On 2 December 2018 she sells 10% of the policy for £11,500. At that time the surrender value of the policy is £110,000.

On 16 April 2020 the two policyholders sell 80% of the policy for £95,000 to another individual. At that time the surrender value of the policy is £120,000.

(ii) Insurance Year One (1 January 2018 to 31 December 2018)

For part assignments for money or money's worth the 100% allowance would also be used to calculate whether a gain arises. So that insurers can continue to calculate their policyholder's gains without requesting further information and changes to the tax rules are kept to a minimum this calculation would use the surrender value of the part assigned rather than its sale price.

Value of 10% share of policy worth £110,000	£11,000
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As this is less than the premium paid of £100,000 no gain arises but the policyholders could only withdraw a further £89,000 from this policy without incurring a gain.

(iii) Insurance Year Three (1 January 2020 to 31 December 2020)

The gain calculation on the part assignment would be,

Total part assignments are,

Value of 80% share of policy worth £120,000	£96,000
Value of part assignment on 2 December 2018 (see (ii) above)	£11,000
Total	£107,000
Less	
Premium	£100,000
Gain arising on 31 December 2020	£7,000

The gain would be chargeable on the two assignors in proportion to their percentage ownership of the policy immediately before the part assignment (i.e. 90%/10%).

Policies acquired, in whole or in part, for money may give rise to capital gains or losses and the actual purchase price paid for the part assignment is part of that separate calculation. In this example capital gains could only arise on the individuals who acquired parts of the policy on 2 December 2018 and 16 April 2020.

5. Deferral of Excessive Gains

Description

5.1 This option would maintain the current method for calculating gains but if the gain exceeds a pre-determined amount of the premium (e.g. a cumulative 3% for each year since the policy commenced), the excess would not be immediately charged to tax. Instead it would be deferred until the next part surrender or part assignment.

5.2 The gain arising from the next part surrender or part assignment would be increased by the amount of the deferred gain from the earlier event. If this total gain exceeded the pre-determined amount, then the excess part of it would be deferred again (and so on).

5.3 On maturity or full surrender the policy gain would be calculated by deducting premiums and gains (whether deferred or not) from total policy withdrawals and any deferred gains would be charged to tax. However if the calculation on maturity etc. did not result in a gain, the deferred gains would be reduced by the amount by which premiums and earlier gains exceed withdrawals (a policy deficiency).

5.4 If the policy was assigned, any held over amount would remain with the policy, in the same way that other policy attributes (e.g. premium paid) would follow the policy.

5.5 For part surrenders and part assignments this option would not give rise to gains that are linked to the policy's underlying economic gain but it would ensure that disproportionately large gains could not arise on these events.

5.6 One example follows for both a part surrender and a part assignment to illustrate how this option might work.

Example: Part assignment followed by part surrender

(i) Policy History

A policyholder invests £100,000 in a life insurance policy on 1 January 2018.

On 17 August 2019 he sells a 50% share in the policy to his business partner when the policy is worth £105,000.

On 16 April 2020 the policyholders withdraw £100,000 from the policy by way of a part surrender. On 10 August 2021 they fully surrender the policy for £32,000

Assume that the pre-determined amount above which gains are held over has been set at a cumulative 3% of the premium paid.

(ii) Insurance Year Two (1 January 2019 to 31 December 2019)

Under the current rules the cumulative 5% deferred tax allowance is £10,000 (i.e. 5% of the £100,000 premium for two years). As the policy is worth £105,000 when part assigned the value of the part sold is £52,500.

The gain arising on the assignor is,

Value of part sold	=	£52,500
Cumulative 5% allowance	=	£10,000
Gain	=	£42,500

However in order to defer excessive gains the maximum gain that can be brought into charge is 3% of the premium for each of the first two policy years i.e. £6,000. This £6,000 gain arises on 31 December 2019.

The remaining gain of £36,500 is deferred until the next calculation event.

(iii) Insurance Year Three (1 January 2020 to 31 December 2020)

The joint policyholders have withdrawn £100,000 by way of a part surrender and therefore a gain calculation is required. The gain arising under the current rules is,

Value of part surrender	=	£100,000
Cumulative 5% allowance (£15,000 - £10,000 used)	=	£5,000
Gain	=	£95,000

The £95,000 gain and the £36,500 deferred gain are crystallised giving a total gain of £131,500. The maximum gain that can be brought into charge is the pre-determined cumulative 3% limit since the last excess event i.e. £3,000. A gain of £3,000 (£1,500 for each policyholder) is brought into charge on 31 December 2020.

The deferred gain is the difference i.e. £128,500.

(iv) Insurance Year Four (1 January 2021 to 10 August 2021)

The policy is fully surrendered for £32,000 on 10 August 2021. The gain on full surrender is,

Total cash withdrawals (£32,000 + £100,000)	=	£132,000
Premium	=	£100,000
Earlier gains (£6,000 + £3,000 + deferred gain of £128,500)	=	£137,500
Gain on full surrender	=	£Nil

A policy deficiency arises if cash withdrawals are less than the total of premiums paid and earlier gains. On 10 August 2021 the policy deficiency is £105,500 (i.e. £132,000 less the £100,000 premium and the £137,500 earlier gains)

The deferred gains are brought into charge after being reduced by this policy deficiency,

Deferred gain	=	£128,500
Less: Deficiency	=	£105,500
Gain arising on 10 August 2021	=	£23,000

(v) Summary

The total gains arising are £6,000 plus £3,000 plus £23,000 which total £32,000. This equals the economic gain from the policy

Questions

Question 12 - In the example provided, the pre-determined amount, above which gains are deferred is 3%. What would be the most appropriate way to set this pre-determined amount?

Question 13. Are there any circumstances in which this option would not give a reasonable result?

Question 14. Assignment of a policy may not crystallise all or even part of the deferred gains on that policy. What is the best way to ensure that assignees would be are fully aware of these deferred gains and the circumstances in which they may be crystallised?

6. Summary of Consultation Questions

General

Question 1 – Of the suggested options for change, what is your preferred option? Please explain why?

Question 2 – Do you have any comments on the assessment of impacts, either generally or in relation to the specific options set out?

Question 3 – Are there options beyond the three presented in this document that would better meet the desirable outcomes including ensuring that disproportionate gains could no longer arise?

Question 4 – For each option, do the insurers' current reporting rules require amendment in any way?

Question 5 - What costs would insurers have to incur, for each option in:

- Changes to their current IT systems to allow gains to be calculated and reported on each basis,
- Advice to policyholders on the change to the tax rules, and
- On-going costs in support of the changes.

Question 6 - What possible effects would each option have on the market for life insurance products?

Question 7 - What possible extra burdens would each option place on policyholders, and how might each option affect policyholder behaviour?

Question 8 – What possible tax avoidance risks does each option present, and how can these be countered?

Taxing the Economic Gain

Question 9 - . Are there any circumstances in which the $A / (A+B)$ formula would not give rise to an appropriate proportion of the policy's economic gain?

Question 10 - . Is there a fairer method of calculating the part of the premium that would be deductible from the amount withdrawn when calculating the gain?

Question 11 - Policyholders would need to request a policy value in order to know what gain any part surrender or part assignment will give rise to. Are there any difficulties for policyholders and insurers in accessing this information?

Deferral of Excessive Gains

Question 12 - In the example provided, the pre-determined amount, above which gains are deferred is 3%. What would be the most appropriate way to set this pre-determined amount?

Question 13 - Are there any circumstances in which this option would not give a reasonable result?

Question 14. Assignment of a policy may not crystallise all or even part of the deferred gains on that policy. What is the best way to ensure that assignees are fully aware of these deferred gains and the circumstances in which they may be crystallised?

7. Assessment of Impacts

Potential impacts of the options proposed will be assessed in the light of this consultation.

The discussion of the issues and options outlined in this consultation document are aimed at identifying an appropriate method for taxing part surrenders and part assignments of life insurance policies which will strike an appropriate balance between the administrative and compliance burden on insurers and policyholders, HMRC's operational costs and tax compliance risk.

Summary of impacts

Exchequer impact

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
£Nil	Negligible	Negligible	Negligible	Negligible

Economic impact

None of the options proposed are expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

This measure will affect around 600 individual policyholders who annually make part surrenders or part assignments of life insurance policies in excess of the 5% annual allowance. It will ensure that disproportionate gains cannot arise, under any circumstances, if policyholders decide to make cash withdrawals or sell part of their policies. The options "taxing the economic gain" and "deferral of excessive gains" may involve greater administrative costs for individual policyholders.

The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure will affect individuals within the protected equality groups that tend to be represented amongst those with above average income. It will ensure consistency of treatment in that small numbers of this particular group may no longer be subject to excessive tax charges if they surrender their life insurance policies in a particular way.

Impact on businesses and Civil Society Organisations

There are around 200 authorised life insurance companies in the UK some of which will be affected by any changes to the tax rules for investment life insurance products. There are likely to be one-off compliance costs for these companies in response to any changes and the specific impact on businesses and administrative burdens will depend on the option chosen. "Taxing the economic gain" will give the most accurate result for the taxpayer but could require significant system changes for the industry. The "100% allowance" could simplify the rules but might have an effect on the market for life insurance products. "Deferral of excessive gains" could add further complexity to the legislation.

Any changes are not expected to have a significant impact on competition".

Impact on HMRC or other public sector delivery organisations

There may be additional one-off and on-going annual costs for HMRC depending upon the option chosen.

Other impacts

Each option is expected to have negligible impact on small and micro businesses.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through communication with affected taxpayer groups and information collected from tax receipts and returns.

8. The Consultation Process

This consultation is being conducted in line with the Tax Consultation Framework. There are 5 stages to tax policy development:

- Stage 1 Setting out objectives and identifying options.
- Stage 2 Determining the best option and developing a framework for implementation including detailed policy design.
- Stage 3 Drafting legislation to effect the proposed change.
- Stage 4 Implementing and monitoring the change.
- Stage 5 Reviewing and evaluating the change.

This consultation is taking place during stage 2 of the process. The purpose of the consultation is to seek views on the detailed policy design and a framework for implementation of a specific proposal, rather than to seek views on alternative proposals.

How to respond

Specific questions asked in the consultation are set out in Chapter 3, 4, 5 and 6.

Responses should be sent by 13 July 2016, by e-mail to:

darryl.wall@hmrc.gsi.gov.uk

or by post to:

Darryl Wall
HM Revenue and Customs
Room 3C/06
100 Parliament Street
London
SW1A 2BQ

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from HMRC's GOV.UK pages. All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

Confidentiality

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes.

These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HMRC.

HMRC will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation Principles

This consultation is being run in accordance with the government's Consultation Principles. HMRC welcomes direct discussions on issues that impact on particular financial institutions or sectors.

The Consultation Principles are available on the Cabinet Office website: <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

If you have any comments or complaints about the consultation process please contact:

John Pay, Consultation Coordinator, Budget Team, HM Revenue & Customs, 100 Parliament Street, London, SW1A 2BQ.

Email: hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk

Please do not send responses to the consultation to this address.

Annex A: List of stakeholders consulted

Chartered Institute of Taxation

Association of British Insurers

Investment and Life Assurance Group

Association of International Life Offices

Insurance Ireland

Low Incomes Tax Reform Group

Manx Insurance Association

Deloitte

E&Y

KPMG

PWC

Annex B: Relevant (current) Government Legislation

Chapter 9 of Part 4 Income Tax (Trading and Other Income) Act 2005

Sections 552 – 552B Income and Corporation Taxes Act 1988